

Eurozone industrial production ticks up in May but outlook remains bleak

Decent production growth in May seems to be driven by backlogs of work being fulfilled. Weakness for the coming months remains the base case as surveys indicate orders are dropping and supply chain problems continue to limit production



There was a solid advancement in auto production in May

After a modest increase in April, May also saw production improve at 0.8% growth month-on-month. Thanks to the sharp decline seen in March, we're still not back at pre-war levels of production though. The improvement was brought down by declining energy production, while goods-producing categories showed strong increases. Only the production of intermediates was flat on the month, with consumer and capital goods production posting healthy growth.

The recovery seen in recent months is likely to be stemming from backlogs of work being fulfilled at the moment. With supply chain problems becoming slightly more manageable, manufacturing businesses seem to be catching up with old unfulfilled orders at the moment. A case in point is the solid advance in auto production in May.

From here on, the question is how long this can prevail. The eurozone economy is slowing rapidly and this is most apparent in manufacturing according to the monthly survey data. The PMI

indicates that new orders are already weakening and that supply chain problems continue to dampen the production that businesses can achieve if orders are still coming in. In the months ahead, we therefore expect weakness to trickle through to the production data more seriously.

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